

Message Text

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SUBJECT: RUBBER INDUSTRY IN MEXICO

REF: ZYT CER/SAVAGE TELECON OF 6/13/78

1. FOLLOWING IS SUMMARY OF MARKET RESEARCH CONDUCTED BY U.S. TRADE CENTER FOR UPCOMING TIRE AND RUBBER INDUSTRY SHOW.

2. THE RUBBER INDUSTRY IN MEXICO IS COMPRISED PRINCIPALLY OF THREE MAJOR GROUPS, THE MANUFACTURERS, THE RETREADERS, AND MOLDED PRODUCTS MANUFACTURERS. IN 1978 APPROXIMATELY US\$20 MILLION WILL BE INVESTED IN THE TIRE AND MOLDED PRODUCTS SECTOR ALONE. WHILE EXACT FIGURES ON TIRE RETREADING ARE SCARCE, AVAILABLE DATA SHOWS IT TO BE A LARGE AND GROWING SECTOR.

3. THERE ARE FIVE MAJOR TIRE MANUFACTURERS IN MEXICO EMPLOYING ROUGHLY 13,000 UNIONIZED WORKERS. DESPITE THE MEXICAN ECONOMY'S TROUBLES IN 1976, PRODUCTION INCREASED BY 21.2 PERCENT FOR AUTOMOBILE TIRES AND 20 PERCENT FOR TRUCK TIRES. NEVERTHELESS, DOMESTIC PRODUCTION IS STILL NOT SUFFICIENT TO MEET DEMAND AND ABOUT ONE MILLION TIRES

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HAD TO BE IMPORTED DURING THE YEAR.

4. ACCORDING TO 1976 STATISTICS PROVIDED BY THE MEXICAN SECRETARIAT OF COMMERCE, AUTO AND TRUCK TIRE PRODUCTION FOR 1967-76 WAS AS FOLLOWS:

1967	1,494	1,031
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1968	1,755	1,102
1969	1,868	1,305
1970	2,069	1,300
1971	2,392	1,346
1972	2,899	1,423
1973	2,872	1,623
1974	2,905	1,694
1975	3,332	1,866
1976	4,038	2,240

5. TOTAL ACCUMULATED INVESTMENT IN THIS INDUSTRY REACHED US\$1.2 BILLION IN 1976 AND IS EXPECTED TO GROW IN 1976 AND IS EXPECTED TO GROW ABOUT 9 PERCENT ANNUALLY THROUGH 1979. CURRENTLY THE INDUSTRY IS OPERATING AT APPROXIMATELY 80 PERCENT OF CAPACITY. NOT INCLUDED IN THE ABOVE ARE THE THREE MANUFACTURERS OF AGRICULTURAL AND INDUSTRIAL TIRES WHICH SUPPLY THE 11,000 PLUS TRACTORS MANUFACTURED HERE EACH YEAR AS WELL AS SERVING THIS AFTERMARKET.

6. TIRE AND TUBE PRODUCTION IS DOMINATED BY FIVE SUBSIDIARIES AND AFFILIATES OF U.S. RUBBER MANUFACTURERS. THE FIVE FIRMS ARE EXECUTING AMBITIOUS EXPANSION PLANS, INCLUDING ONE RECENTLY COMPLETED NEW PLANT IN QUERETARO. ALTHOUGH THESE FIRMS NORMALLY PROCURE EQUIPMENT THROUGH THEIR U.S. PARENTS, SOME LOCAL PROCUREMENT IS DONE AND THE LOCAL PRODUCTION STAFFS HAVE SHOWN INTEREST IN SEEING NEW UNCLASSIFIED

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TECHNOLOGY. TWO LOCALLY-OWNED SMALLER TIRE PRODUCERS, HOWEVER, DO THEIR OWN PROCUREMENT AND WOULD BE PRIME DIRECT SALES PROSPECTS.

7. IN TIRE RETREADING THERE ARE OVER 400 COMPANIES OPERATING WITH A MINIMUM OF US\$80,000 EACH INVESTED IN MACHINERY AND EQUIPMENT. OF THESE, OVER 35 PERCENT ARE FOUND WITHIN THE MEXICO CITY METROPOLITAN AREA. INDUSTRY SOURCES EXPECT THIS SECTOR TO GROW AT ABOUT 9 PERCENT TO 12 PERCENT PER YEAR IN THE NEXT THREE YEARS.

8. OF THE 142 MOLDED PRODUCTS MANUFACTURERS 11 ARE LARGE ENOUGH TO BE OF SIGNIFICANCE INDIVIDUALLY. TOTAL ACCUMULATED INVESTMENT IN THIS SECTOR IS NEAR \$514 MILLION WHILE GROWING BY ABOUT 6-8 PERCENT PER YEAR. THE MOLDED RUBBER INDUSTRY IS CHARACTERIZED AS EMPLOYING OUTDATED TECHNOLOGY, FEATURING A HIGH LABOR INPUT PER UNIT OF PRODUCTION. INTEREST IN MODERNIZATION EXISTS, HOWEVER, AND APPROPRIATE EQUIPMENT SUITED TO THE NEEDS OF THE INDUSTRY SHOULD FIND A READY MARKET.

9. AT PRESENT THERE IS VIRTUALLY NO LOCAL PRODUCTION OF

MACHINERY OR EQUIPMENT FOR THE RUBBER INDUSTRY. FURTHER,
WHILE MANY OF THE RAW MATERIALS AND CHEMICALS ARE PRODUCED
IN MEXICO, A SIGNIFICANT NUMBER OF THESE ARE STILL IMPORT-
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